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May 16, 2006

## **AGENDA ITEM 12**

**TO: MEMBERS OF THE BENEFITS AND PROGRAM ADMINISTRATION  
COMMITTEE**

**I. SUBJECT:** 2004/2005 State Industrial Disability Cost Report

**II. PROGRAM:** Actuarial and Employer Services

**III. RECOMMENDATION:**

Staff recommends that the Benefits and Program Administration Committee move to postpone the reporting of the 2004/2005 State Employers' Industrial Disability Cost Report to 2007, and report the decision to the Governor and the Legislature.

**IV. ANALYSIS:**

As a result of the Nolan case (Nolan v. the City of Anaheim; effective September 1, 2004), the California Supreme Court concluded that to qualify for a disability retirement, a member must show substantial incapacity to perform the usual duties of the position for his/her current employer *and* from performing the usual duties of the position for other California public agencies in CalPERS.

As a result of the California Supreme court decision, processing of all pending and new cases slowed to a minimum as new procedures were created, approved and implemented. This created a substantial backlog that significantly impacted the data submitted to the Actuarial Office for producing the 2004/2005 State Industrial Disability Cost Report.

Due to insufficient industrial disability retiree data, it is staff's view that producing a report for the 2004/2005 fiscal year could be misleading to readers of the report and so would be inappropriate. The data extracted for this report is an annual process that delivers all data to the Actuarial Office for rate setting and other

purposes. CalPERS has a plan in place to eliminate the backlog in processing disability retirement applications by June 30, 2006, which coincidentally is the next scheduled date for data extraction and delivery to the Actuarial Office. Attempts to extract the data just for purposes of producing an IDR report earlier than the next scheduled extraction date would be cost prohibitive.

Therefore, staff recommends postponing production of the IDR report for the 2004/2005 fiscal year. A comprehensive report will be produced for the fiscal years 2004/2005 and 2005/2006 for the board in 2007.

**V. STRATEGIC PLAN:**

This item is not a specific product of the Strategic or Annual Plans but is part of the regular and ongoing workload of the Actuarial & Employer Services Division.

**VI. RESULTS/COSTS:**

N/A



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Alan Milligan, Supervising Pension Actuary  
Actuarial & Employer Services Division



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Ronald L. Seeling, Chief Actuary  
Actuarial & Employer Services Division

